

Date	Indicator	For	Estimate	Consensus*	Previous Period
12-Jan-2021	NFIB Small Business Optimism	Dec	100.0	100.5	101.4
12-Jan-2021	JOLTS Job Openings	Nov	NA	NA	6652.0
13-Jan-2021	CPI MoM	Dec	0.4%	0.4%	0.2%
13-Jan-2021	CPI Ex Food and Energy MoM	Dec	0.1%	0.1%	0.2%
14-Jan-2021	Initial Jobless Claims	09-Jan	798k	775k	787k
14-Jan-2021	Import Price Index MoM	Dec	0.7%	0.7%	0.1%
15-Jan-2021	PPI Final Demand MoM	Dec	0.4%	0.4%	0.1%
15-Jan-2021	PPI Ex Food and Energy MoM	Dec	0.1%	0.1%	0.1%
15-Jan-2021	Empire Manufacturing	Jan	5.5	3.8	4.9
15-Jan-2021	Retail Sales Advance MoM	Dec	-0.1%	0.0%	-1.1%
15-Jan-2021	Retail Sales Ex Auto MoM	Dec	-0.2%	-0.2%	-0.9%
15-Jan-2021	Capacity Utilization	Dec	73.5%	73.6%	73.3%
15-Jan-2021	Industrial Production MoM	Dec	0.3%	0.5%	0.4%
15-Jan-2021	Business Inventories	Nov	0.5%	0.5%	0.7%
15-Jan-2021	U. of Mich. Sentiment	Jan P	79.8	80.0	80.7

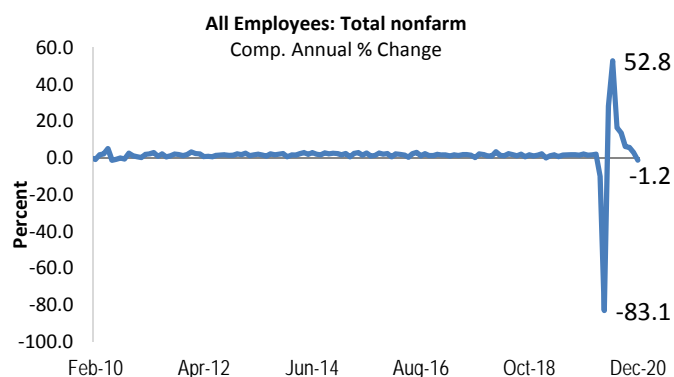
*Consensus from Bloomberg

Coronavirus Sends Labor Market Recovery Into Reverse

The December Employment Report was as bad as feared, and worse than most economist forecasts, showing a net loss of 140k non-farm jobs in December. This was a sharp break from November's performance when the U.S. economy created a solid and upwardly revised 336k jobs. The unemployment rate held at an elevated 6.7% in December, but another 115k people left the labor force to keep it at that elevated level - so not really great news all-in-all.

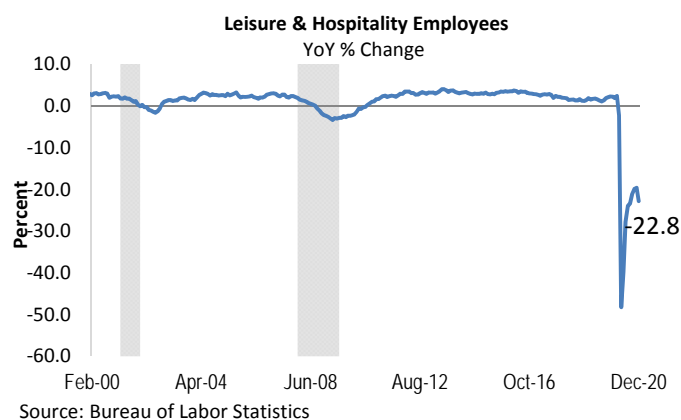
The coronavirus resurgence, new business restrictions, and new stay at home orders were the primary drivers of the sudden reversal in the labor market recovery in December, as big states like California went back into full lockdown. The leisure and hospitality industry alone lost 498k jobs last month, the first net job decline in this sector since May. Employment in the leisure and hospitality sector was still a stunning 3,908,000 below pre-pandemic levels at the end of the year.

U.S. Jobs Recovery Goes Into Reverse in December



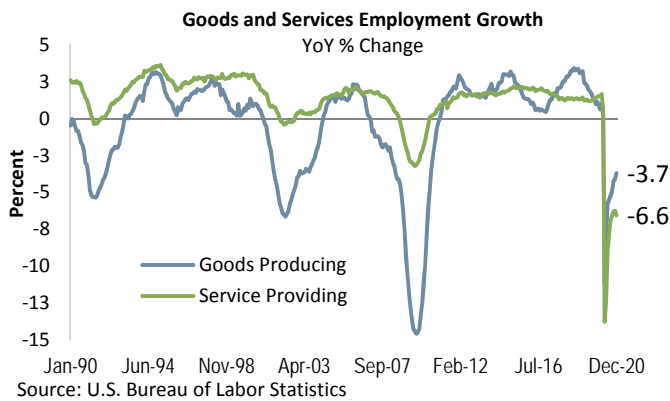
Source: U.S. Bureau of Labor Statistics

Leisure and Hospitality Sector Stumbles



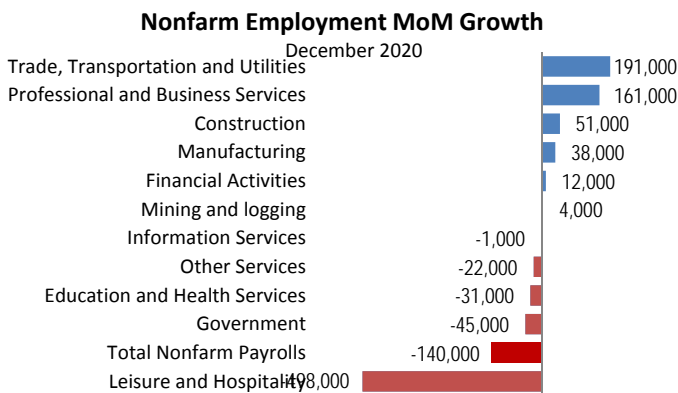
Beyond leisure and hospitality, job growth weakened or reversed in a number of important categories like government (-45k), education and health care (-31k), information (-1k), and financial services (+12k). Nearly all the new labor market weakness came from the services side of the economy, while the goods production side of the economy continued to ramp up employment.

Services Jobs Recovery Lags and Takes A Step Back



Construction added 51k jobs and manufacturing added another 38k jobs last month. Respectable job growth continued in trade and transportation (+191k) and temporary help employment (+68k) in December as well. The silver lining here is that once the pandemic resurgence begins to ebb, services businesses like those in the leisure and hospitality business will be able to reopen and rehire, while pent-up demand from consumers that have had to stay away for more than a year now should help turbo charge that reopening by the third quarter of 2021.

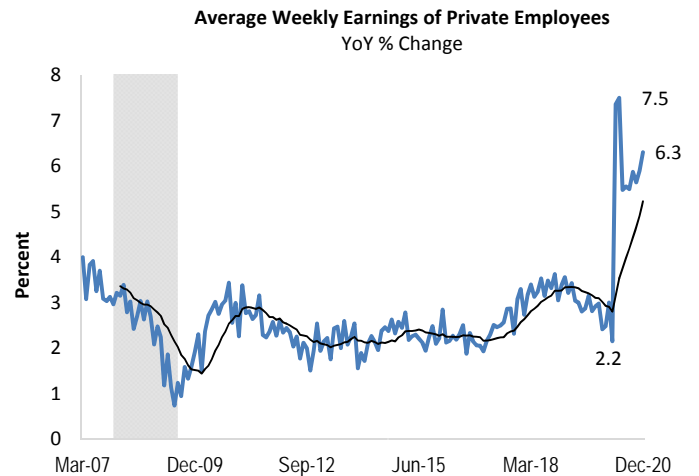
Service Businesses Back To Shedding Jobs



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Another positive trend and reason for optimism that the U.S. economic recovery could quickly resume is the strong income gains from those that continue to hold onto their jobs. Average weekly earnings growth of private employees jumped back up to 6.3% in December. Prior to the pandemic this weekly earnings growth was closer to 2.2%. Despite 10.7 million unemployed people in the United States in December, a large percentage of the workforce is still managing just fine through this pandemic.

A Winner Take All Labor Market Forms During Pandemic



Bottom-line, the December jobs report is a wake-up call that recovery from this pandemic will not necessarily occur in the straight line. There is still catastrophic demand destruction in many important sectors of our economy that have the potential to turn into permanent economic and financial scars. At the same time, state and local governments remain under tremendous budgetary pressure and will continue laying off workers well into 2021 and beyond.

On the glass half-full side, the extent of the job losses from recent business restrictions and stay at home orders have been far less than what we saw in March of 2020, suggesting that many businesses are learning how to cope with this new pandemic economic environment. The negative economic shock should remain limited compared to the second quarter of last year, and the additional \$900 billion in pandemic relief should go a long way in ensuring it stays that way.

Key Economic and Interest Rate Forecasts

Economic Data	History				Forecast								Yr/Yr % chg or Annual Avg.			
	2019.1	2019.2	2019.3	2019.4	2020.1	2020.2	2020.3	2020.4	2021.1	2021.2	2021.3	2021.4	2018	2019	2020	2021
Real GDP*	2.9	1.5	2.6	2.4	-5.0	-31.4	33.4	4.0	2.1	2.5	3.3	3.0	3.0	2.2	-3.5	3.6
Personal Consumption Expenditures*	1.8	3.7	2.7	1.6	-6.9	-33.2	41.0	4.0	2.0	3.3	3.8	3.7	2.7	2.4	-3.8	4.4
Non-residential Fixed Investment*	4.2	0.0	1.9	-0.3	-6.7	-27.2	22.9	7.9	3.1	2.0	4.6	4.6	6.9	2.9	-4.3	4.1
Private Housing Starts (000s units)	1,204	1,257	1,288	1,433	1,484	1,079	1,432	1,500	1,465	1,460	1,450	1,455	1,208	1,296	1,374	1,458
Vehicle Sales (mill. Units, annualized)	16.9	17.0	17.0	16.8	15.0	11.4	15.4	15.9	15.0	15.2	15.3	15.5	17.2	16.9	14.4	15.3
Industrial Production*	-1.9	-2.3	1.1	0.4	-6.8	-42.6	42.5	6.5	4.8	3.3	4.5	4.4	3.9	0.9	-6.9	4.8
Nonfarm Payroll Employment (mil.)	150.2	150.6	151.2	151.8	151.9	133.7	140.8	141.5	142.4	143.5	144.7	145.9	146.6	150.9	142.0	144.1
Unemployment rate	3.9	3.6	3.6	3.5	3.8	13.0	8.8	6.8	6.8	6.5	6.2	5.9	4.4	3.7	8.1	6.4
Consumer Price Index* (percent)	0.9	3.0	1.8	2.4	1.2	-3.5	5.2	1.8	1.5	1.7	1.8	1.8	2.4	1.8	1.2	1.8
"Core" CPI* (percent)	2.2	2.2	2.8	2.0	2.0	-1.6	4.4	1.6	1.7	1.7	1.7	1.7	2.1	2.2	1.7	1.8
PPI (finished goods)* (percent)	-2.7	4.7	-1.2	3.0	-3.4	-11.4	6.9	2.2	0.1	0.9	1.6	1.7	3.0	0.8	-1.5	1.0
Trade Weighted Dollar (Fed BOG, major)	114.5	115.4	116.5	116.4	117.9	122.2	117.7	114.4	112.0	111.8	111.7	111.5	91.1	115.7	118.0	111.8
Crude Oil Prices -WTI (\$ per barrel)	55	60	56	57	45	28	42	43	46	47	48	48	51	57	39	47

*Quarterly Data Percent Change At Annual Rate; Annual Data Year-on-Year % Chg, or Annual Average.

Financial Data	History				Forecast								Annual Average			
	2019.1	2019.2	2019.3	2019.4	2020.1	2020.2	2020.3	2020.4	2021.1	2021.2	2021.3	2021.4	2018	2019	2020	2021
S & P 500	2,721	2,882	2,958	3,083	3,056	2,932	3,320	3,555					2,449	2,911	3,215	
Dow Jones Industrial Average	25,147	26,096	26,676	27,537	26,554	24,571	27,299	29,092					21,745	26,364	26,879	
Federal Funds Rate (effective)	2.40	2.40	2.20	1.65	1.23	0.06	0.09	0.13	0.13	0.13	0.13	0.13	1.00	2.16	0.38	0.13
Treasury-3 Month Bills (yield)	2.44	2.35	2.03	1.61	1.10	0.14	0.11	0.09	0.09	0.10	0.10	0.11	0.95	2.11	0.36	0.10
Treasury-2 Year Notes (yield)	2.49	2.13	1.69	1.59	1.08	0.19	0.14	0.15	0.14	0.17	0.20	0.22	1.40	1.97	0.39	0.18
Treasury-5 Year Notes (yield)	2.46	2.12	1.63	1.61	1.14	0.36	0.27	0.37	0.36	0.39	0.42	0.45	1.91	1.96	0.53	0.40
Treasury-10 Year Notes (yield)	2.65	2.34	1.80	1.79	1.37	0.69	0.65	0.85	0.85	0.90	0.97	1.03	2.33	2.15	0.89	0.93
Treasury-30 Year Notes (yield)	3.01	2.78	2.29	2.25	1.87	1.38	1.36	1.62	1.66	1.72	1.84	1.90	2.90	2.58	1.56	1.78
Prime Rate	5.50	5.50	5.31	4.83	4.43	3.25	3.25	3.25	3.25	3.25	3.25	3.25	4.10	5.29	3.54	3.25
Libor 3-Mo. U.S. Dollar	2.69	2.51	2.20	1.93	1.53	0.60	0.25	0.22	0.22	0.22	0.22	0.22	1.26	2.33	0.65	0.22
Mortgage-30 Year (yield)	4.37	4.01	3.66	3.70	3.52	3.24	2.95	2.77	2.71	2.80	2.85	2.91	3.99	3.94	3.12	2.81
BAA Corporate (yield)	4.97	4.60	4.03	3.91	3.91	3.91	3.32	3.31	3.35	3.45	3.52	3.58	4.44	4.38	3.61	3.47

Source: Bank of the West Economics, Bloomberg, Federal Reserve